

**Montana FWP Tract Located in McLean County, North Dakota**  
**Township 150 North, Range 91 West**  
**Section 6: An undivided 8% interest in Lots 4, 5, E2SW4**  
**Gross Acres: 146.22    Net Acres: 11.6976**

**UPDATE - Participating Status of the Proposed Lease**

The operator (WPX) previously drilled four wells and is planning to drill an additional four wells in the near future.

See [Full Development Map](#) located under *Additional Information*

Initial Four Wells

Peterson 6-5-4HQ, Peterson 6-5-4HD, Peterson 6-5-4HC, Peterson 6-5-4HZL

These wells have not yet been completed. The State received election letters for these four wells in late August, 2015. We do not have funding available to pay our share of the AFE costs, and therefore had to elect not to participate. Because the tract was unleased at the time of the election, only the 50% risk penalty applies. WPX concurs with this application of the North Dakota risk statute. The lessee for this lease is therefore subject to a 50% risk penalty on these first four wells.

See [Election Letters and AFEs](#) located under *Additional Information*  
for these initial four wells

Second Four Wells

N Segment 6-5-4HA, N Segment 6-5-4HW, N Segment 6-5-4HB, N Segment 6-5-4HY

WPX has advised that they will be sending election letters and AFEs in the near future, possibly before the December 1<sup>st</sup> lease auction. Regardless of when WPX sends the election letters, the lessee for this lease will have the opportunity to choose whether to participate. The following special provision has been added to the lease to document this aspect of the lease:

“The following four wells have been drilled and completed in the spacing unit and the lessee’s interest in these four wells is subject to a 50% risk penalty pursuant to NDCC 38-08-08.3.b: Peterson 6-5-4HQ, Peterson 6-5-4HD, Peterson 6-5-4HC, and Peterson 6-5-4HZL.

The Department may receive election-to-participate notices for the following four proposed wells prior to the issuance of this lease: North Segment 6-5-4HA, North Segment 6-5-4HW, North Segment 6-5-4HB, and North Segment 6-5-4HY. If received, the lessee shall elect whether to participate in the drilling operations for any or all of the proposed wells by December 18, 2015, or within 30 days of the Department’s receipt of election notices, whichever is later.”

## Who is DNRC?

The Trust Land Management Division of the Department of Natural Resources and Conservation (DNRC) manages state school trust lands, including the leasing and development of school trust mineral rights. Although it is rare, other agencies sometimes find that they own mineral rights. Our Minerals Management Bureau has handled the leasing and management of these lands. We have an MOU with the Department of Fish, Wildlife and Parks (FWP). As a result, an oil and gas company is able to work with a single agency for state oil and gas leases, regardless of the specific agency they belong to. Just like for other state-owned lands, we handle all lease related matters – assignments, communitization agreements, division orders, rental and royalty payments, etc.

### DNRC Contacts:

Monte Mason, Minerals Management Bureau Chief	406-444-3843
Trevor Taylor, Petroleum Engineer	406-444-9518
Julie Mason, Leasing Section Supervisor	406-444-4576

## Why are we in North Dakota?

The FWP recently received a mineral interest in several tracts of land located in North Dakota. A partial interest in these tracts was deeded to the FWP from the estate of William Kamps. Mr. Kamps lived in Kalispell and was a supporter of the efforts of the Region 1 FWP to promote opportunities and interest in fishing. Mr. Kamps recognized these efforts with his conveyance of a portion of his mineral ownership interests in North Dakota. Any revenues generated are dedicated to the FWP's Region 1 Hooked on Fishing program.

The tracts are located in areas of the Williston Basin where exploration and production from the Bakken and Three Forks formations is occurring. The FWP parcel described above is unleased. We have received a lease application for this parcel, and therefore have included it on DNRC's December 1, 2015 oil and gas lease sale list.

See [State Map](#) and [County Location Map](#) located under *Additional Information*.

## Oil and Gas Lease Sale Process

Like North Dakota state lands, our leases are offered by competitive bid. A leasing calendar and related information is provided on our main oil and gas leasing information web page. Leasing is conducted through an oral auction in Helena, Montana. Bidding is on a per-acre upfront bonus basis. Companies can be represented by an agent, such as a local landman. Companies can be connected with their representative by phone during bidding. We have a landman contact list. These are individuals or companies that have asked to be on the list. The list is provided as a convenience only. We do not represent or have any relationship with these parties. It is not an endorsement or recommendation of any kind.

See [Landman List](#) located under *Additional Information*.

Payment of the first year rental and bonus is required within 10 days following the sale. We mail, email, or fax out statements for amount due the day after the sale.

For more information, please contact Julie Mason, Leasing Section Supervisor, at 406-444-4576. We maintain a mailing list for distribution of lease sale information. See our oil and gas leasing information web page for instructions.

## **Oil and Gas Lease Form**

Since the parcel to be leased is located in North Dakota, the form of oil and gas lease has been adapted for operations in that state. Operators in North Dakota will recognize some of the key terms and conditions, as they are drawn from those used in North Dakota state land leases. Some provisions in a standard Montana state lease do not apply and were deleted. The lease recognizes that FWP's ownership is a small, partial undivided mineral interest in a large spacing unit.

See [Sample Lease Form](#) located under *Additional Information*.

Key provisions are:

- Five-year Primary Term: By statute, the length of our primary term cannot be more than ten, nor less than five years.
- Royalty Rate – 18.75%: Same as North Dakota state land leases in most Bakken/Three Forks areas.
- Royalty Valuation: Same as North Dakota state land leases.
- Tax Status: The State of Montana's royalty interest for lands located in North Dakota are not tax exempt. It is subject to North Dakota gross production and oil extraction taxes.
- The Montana Environmental Policy Act does not apply to lands outside of Montana.
- Operations are under the regulatory authority of the State of North Dakota.

## **Royalty Valuation and Reporting**

Royalties are submitted monthly. Like North Dakota, we have a royalty reporting form that must be filled out and submitted with payment. Our form is available as a hardcopy or spreadsheet.

See [Form 5 Royalty Reporting Form \(pdf and xls\)](#) and [Guide to Completing Form 5](#) located under *Additional Information*.

Gross royalty valuation is the same as for a North Dakota state land lease. An FAQ from the North Dakota Department of Trust Lands is provided below. Montana-specific information is substituted in italics where appropriate.

See [ND Oil and Gas Royalty FAQ](#) located under *Additional Information*.

*North Dakota Department of Trust Lands Contact:*  
*Drew Combs, Director of Minerals Management Division, 701-328-1909*

## **Lease Assignments**

Our leases are assignable by area, formations, or to multiple lessees. Like North Dakota state land leases, assignments are approved by our Department. We track and make working interest ownership information available for our leases.

See [Assignment Form](#) and [Assignment Instructions](#) located under *Additional Information*.

## **Title Information**

The Department contracted for and provides the following title research and report. This report is not a Title Opinion. The State of Montana does not warrant the accuracy or completeness of this report, or its suitability for any use. (see disclaimer on page 3)

See [Title Research and Report](#) located under *Additional Information*.

## **Technical Information**

This tract is located within the Van Hook field on the west side of Lake Sakakawea, in McLean County. The Van Hook field produces from the Bakken and Three Forks formations. This tract is located near the lake's west shoreline, where development is expanding eastward under the lake. Its west border is immediately adjacent to existing wells.

See [Development Map/Info](#) located under *Additional Information*.

WPX Energy has drilled 4 wells and is planning to drill an additional 4 wells in the spacing unit. The participating status of the proposed lease is discussed above.

The North Dakota Industrial Commission, Oil and Gas Division provides technical data, permitting information, maps, spacing units, etc:

<https://www.dmr.nd.gov/oilgas/>